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TARIFF REVISION A PUBLIC NECESSITY

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The tariff question is no longer one of protection or free trade, but rather one of correcting the abuses of the protective system and of furthering the general industrial good by taking account of industries which have a surplus production seeking a foreign outlet, as well as of giving consideration to industries which cannot, without assistance, sustain themselves against foreign competition in the home market. The demand for new legislation to accomplish the purposes just stated has become widespread in recent years, and both political parties, recognizing the strength of the demand, have committed themselves this year to legislation in the near future. Inasmuch as for the last decade and a half the money question has rendered political results without meaning as relating to the tariff, the practical unanimity of opinion to-day that the tariff law needs overhauling is to be regarded as a decided gain for righteousness by those who believe in "sweet reasonableness" in tariff matters. However the scope of the promised legislation remains yet to be determined. The expression of independent sentiment, regardless of political affiliation, is largely responsible for the present movement, and perhaps this independent sentiment will have a potent influence in shaping the new legislation. It is significant that nowhere is there a dissent to the opinion that the tariff is high enough, and it is generally taken for granted that the new law must be in the direction of lower duties, either by direct revision or by the adoption of the maximum and minimum arrangement, whereby the same end can be accomplished through reciprocity treaties which at the same time widen the foreign market. In addition the outlook for the creation of a permanent tariff commission is destined, I believe, to receive increased attention as offering the most feasible solution of the problem of introducing business principles into our tariff system.

There need be no apprehension that the new legislation will be antagonistic to the protective principle. Nowhere is there any serious advocacy of free trade. That the protective tariff has been and is a vital factor in the diversifying and building up of our industries is a deeply-rooted faith among the people. Even in the central West where not to exceed 5 per cent of the population are engaged in tariff industries, there is a general willingness to continue taxation for industries that need it. But, though the protective principle is not being subjected to serious attack, yet it is well to emphasize, on occasion, that the tariff is a tax paid by the people, and that no industry can acquire a vested right in its permanent payment. Surely if there were a more general understanding that the tariff is a tax in which private interests share the proceeds with the government, there would be a more rigorous questioning of various duties imposed than has yet been manifested. Also it is important to emphasize that unless the tariff is wholly a protective tariff there is no good excuse for its existence. Its one valid object is to enable the home producer to collect a tax or subsidy from the public in selling his product, this being done in order to encourage the development of the industry and to place it on a competitive level with foreign producers. A tariff levied for the primary object of raising government revenue is an abomination and a crime. With the single and somewhat inconsequential exception of a tariff on articles which cannot be produced in this country, no tariff can be devised which does not give private interests a share in the proceeds. In the case of every tariff the government collects the tax only on the foreign article imported, while the home producer collects it on the article made at home. In the case of a tariff mainly for government revenue it is presumed no valid reason exists for giving the home producer the benefit of the taxing power, and, therefore, such a tariff is justly to be stigmatized as an engine for the unjust diversion of wealth from the possession of the many to the pockets of the few. As our present tariff is presumably solely a protective tariff, the revenue the government receives from it must be regarded as merely an incidental result of the protective policy, and treasury deficits cannot have any proper influence whatever on new tariff legislation—if the government finds it needs more money there is only one honorable and sensible way of raising it, and that is by

levying a tax of such a nature that the entire proceeds from it will go into the public coffers without division with private interests.

It is almost universally taken for granted that there is a large number of industries in need of tariff protection, but when we come to specify these industries and to ascertain just how much protection is really needed, it must be confessed that the average man finds himself confronted by a riddle of almost sphinx-like impenetrability. The ignorance on tariff details is colossal. For the want of some public agency which can investigate the needs of the industries and supply impartial data as to the effects of tariff duties, the public is like a trusting lamb being led to the slaughter. It is given out that Congress is well informed on the tariff, but it is painfully noticeable that when Congress has a tariff law under consideration it falls rapidly away from a discussion of duties on their merits, and resorts to the famous log-rolling method, which is based on that high dictum of statesmanship, "You tickle me and I'll tickle you." The present tariff is just such a hodge-podge as may reasonably be expected under the circumstances.

The tariff costs the people millions of dollars annually, and it ought to be regulated from the standpoint of obtaining the maximum of industrial good at the least cost. To do this it should be regarded as a business undertaking by the nation—it should be divorced as far as possible from politics. The creation of a permanent tariff commission would go far toward accomplishing this end. Such a commission, composed of experts, would have the time to investigate every phase of the subject thoroughly, and its recommendations, founded on exact and impartial data, would carry great force. The members of Congress appear to oppose the creation of such a commission because they seem to fear it will encroach on their prerogatives. They declare they are as competent to handle the tariff as any commission, but it is not a question of competency, but rather one of time in which to study, investigate and consider a myriad of details. Congress has no more time to go into these details than it has to dig post holes. Still we have no commission at this time, and it is the task of Congress to show the country what it can do in the way of turning out tariff legislation that gives the public a fair deal while treating the industries with what, let us say, is fair generosity.

Can many of the duties in the present tariff be pruned without

doing violence to the protective principle? I believe that any reasonable man will answer this question in the affirmative. Protection is granted for the purpose (1) of enabling new industries to establish themselves and (2) to offset for labor in industry in general the difference between labor cost at home and abroad. For the first purpose high duties are considered needful, but it cannot be argued that these high duties should last forever. If the "infant" industry does not become lusty and mature after the lapse of some years, then it would seem to be an indication that it is constitutionally incapable, in which case taxation in its behalf is worse than money thrown away. On the other hand if it does become healthy and strong and able to stand without props, then it is time for the props to be taken away. The magnificent showings of our statistical tables are rather convincing evidence that the most of our industries are able to stand on their own feet at this time, and very little has been heard for years about infant industries. The natural inference is that quite a number of our tariff duties can be scaled without doing violence to the protective system.

The second purpose of protection given above, that of offsetting the difference in labor cost at home and abroad, is the more important. The standard of wages being higher in this country than abroad, the cost of production is correspondingly higher. To enable many of our products to compete with the foreign product, some measure of protection is essential, and the country can well afford to tax itself in order to protect its labor against the cheaper labor abroad and to maintain the American standards of living. Still it is instructive to note that no country is richer in natural resources and human energy than this, and as a consequence there are some of our industries at least which are able to pay American wages and still compete with the foreigner without assistance. An examination of the tariff schedule readily discloses that many of the items more than liberally provide for the difference in labor cost at home and abroad, and once more the inference enforces itself on our minds that there are many duties that can be pruned without endangering the protective principle.

It is an abuse of the protective principle, an inexcusable breach of the public trust, for private interests to enjoy the taxing power to a greater extent than what is fairly needful for their protection against foreign competition.

Sometimes it so happens that competition between home producers operates in time to eliminate in whole or in part the advantages which an industry may have once derived from a tariff duty. The duty ceasing to be a means for the taxing of the public for the protection of the industry, no longer serves any useful end on the statute books, and becomes a temptation for the elimination of competition between the home producers, so that they may again make it an active agency for taxing the public. Frequent charges are made that various duties have thus become "trust" protectors instead of "infant" industry protectors, all of which goes to show that there are various sorts of abuses which may grow up under a protective tariff which is not amended from time to time.

It being a practical certainty that many duties can be lowered without ruinous invasion of the home market by the foreigners, it may at once be concluded that tariff reduction is the just policy to pursue. But there is another and very important phase to the situation which is entitled to careful consideration, and which suggests the advisability of adopting a plan whereby we may secure the reduction of foreign tariffs while reducing our own. Quite a number of our industries have reached a point of development where they are capable of a greater production than the home market demands, and the number of such industries will increase in the future. These industries should have a foreign outlet for their surplus production, and it is just as important, if not more so, that their natural growth be not checked as it is that new industries be assisted to a self-sustaining basis. Tariffs are now largely a matter of international agreement, and to secure reductions in duties of foreign tariffs on goods we can export, we should be in a position to offer in return concessions in our own tariff. Hence the force of adopting both a maximum tariff and a minimum tariff, with sufficient margin between them to allow for the making of reciprocity treaties. The value of a permanent tariff commission to assist in the execution of this plan for international agreements ought to appeal forcibly to the country.

In tariff negotiations with other countries we must make up our minds that it will be necessary to offer genuine concessions, and therefore it is essential that the minimum tariff be made as low as possible consistent with the absolute requirements of the protective principle. The present tariff could well serve as the maxi-

mum tariff. Possibly some of the duties could on reasonable grounds be raised for this purpose, but any attempt to make the present schedule practically the minimum schedule would make the new legislation nothing but a farce. The free list should be considerably enlarged in the minimum tariff, particularly as relating to raw materials—it is well to remember that one of the ways to build up home industries is not to tax the raw materials they use and also it is a senseless policy which puts a premium on the rapid exhaustion of our natural resources.

While there are many other things beside the tariff which are responsible for good or bad times, yet the tariff has its effect, and it will tell for prosperity to put our tariff system on a business-like basis and to make such changes in the law as will make the burden of taxation no higher than is needful for carrying out a fair and honest protective policy.